

In the Matter of)
Connect America Fund) WC Docket No. 10-90

COMMENTS OF ALEXICON TELECOMMUNICATIONS CONSULTING

Alexicon offers comments regarding the rural associations' (RA) proposal for funding standalone broadband lines with federal high cost support.² While Alexicon supports the narrow

² *Public Notice* at 2.

issue of promoting rural broadband by providing federal high cost support for standalone broadband lines provided by rural, RoR carriers, this must be done in the overall context of a sufficient, predictable, reasonable, and long term solution for rural broadband. To this end, Alexicon will offer a solution to not only the problem of standalone broadband lines in rural, RoR LEC areas, but also for the long term viability of broadband and other technologies, such as IP-based investment, in these areas.

I. SUPPORTING STANDALONE BROADBAND IN AREAS SERVED BY ROR REGULATED RLECS IS ONLY A START

NTCA argues that supporting standalone broadband lines “would finally provide the basis for a Connect America Fund that supports broadband-capable networks that enable advanced communications and enhanced consumer choice in *all* rural areas.”³ Alexicon agrees that funding investment in standalone broadband lines provided by RoR carriers makes sense, given that standalone broadband lines are an important way to ensure customers see the benefits of the shift to IP-based services, such as over-the-top voice and video. However, providing support for standalone broadband lines in this way is only a part of the solution. The Commission must end the current patchwork regulatory regime and support structure that resulted from the *ICC/USF Transformation Order*⁴ and move quickly to adopt a long-term solution for rural broadband investment.

In order to ensure continued and long-term access to services made possible by quality, affordably-priced broadband service, the Commission recognized that a “path forward” was needed “for rate-return...carriers to invest in extending broadband to unserved areas.”⁵ Before the Commission and RoR carriers can address “unserved areas”, however, there are immediate problems that must be addressed - most of which were caused by the *ICC/USF Transformation Order*. The most important of these issues is the impact on rural broadband investment caused by the short-term reforms to the federal universal service and intercarrier compensation regimes. As stated succinctly by NTCA, based on a survey of its members, “69 percent of member

³ Ex Parte Notice (April 1, 2013) filed by NTCA in WC Docket No. 10-90, et al (NTCA April 1 Ex Parte) (emphasis in original)

⁴ *Report and Order and Further Notice of Proposed Rulemaking*, released November 18, 2011 in WC Docket No. 10-90, et al.

⁵ *ICC/USF Transformation Order* at 1032

company respondents have postponed or cancelled deployment projects, with many providers citing regulatory uncertainty over the past eighteen months.”⁶ This is common for RoR carriers - the reforms adopted in the *ICC/USF Transformation Order* increase the obligations and compliance costs for RoR carriers, but with less available support from ICC and USF programs. Thus, many RoR carriers have little choice but to scale back operations and investment in light of not only regulatory uncertainty, but also in light of what many consider regulatory hostility. This type of uncertainty and hostility not only impacts efforts to bring broadband-capable facilities to unserved areas, but makes it difficult, if not impossible, to maintain the level of service in areas where broadband is currently available.

Of equal to concern to regulatory uncertainty is the rural/urban divide in regards to broadband availability and broadband service speeds. For example, according to a recent report released by the National Telecommunications and Information Administration (NTIA)⁷, the rural/urban digital divide becomes more pronounced once more granular data is analyzed. The NTIA report states “there are much larger proportional differences between Very Rural [11 residents per square mile and under] and Exurbs [more than 11 RPSM and fewer than 37 RPSM] in the availability of higher-speed services.”⁸ The report also states “at wireline speeds of 50 mbps, broadband availability varies from 14 percent (Very Rural), 32 percent (Exurban), 35 percent (Small Town), 62 percent (Central City), to 67 percent (Suburban), even though the overall broadband availability was 63 percent in urban areas compared to 23 percent in rural areas.”⁹ This demonstrates that a very real rural/urban divide exists, which will only become more pronounced unless and until the Commission does something to alleviate the regulatory uncertainty brought about by the *ICC/USF Transformation Order*.

II. THE SMALL COMPANY COALITION/ALEXICON ALTERNATIVE MODEL PROVIDES THE NECESSARY REGULATORY CERTAINTY FOR BROADBAND INVESTMENT IN RURAL AREAS

⁶ NTCA April 1 Ex Parte at 2

⁷ *Broadband Availability, Beyond the Rural/Urban Divide - Broadband Brief No. 2*, Published by NTIA in May 2013

⁸ *Id.*, at 8

⁹ *Id.*, at 11. See NTIA’s report for a complete description of the density tiers

The Bureau requests comment on a number of issues surrounding the funding of standalone broadband lines with federal high cost support. While the questions raised in the Public Notice are reasonable and need to be addressed in the context of the narrow issue of funding standalone broadband lines, Alexicon will instead offer an alternative that should be given due consideration by the Bureau and Commission. This alternative was provided to the Commission via an Ex Parte communication¹⁰, and consists of a model that provides for a predictable and equitable method of determining federal high cost support for RoR carriers. The Small Company Coalition (SCC) plan is designed to (1) modernize universal service fund and intercarrier compensation mechanisms, (2) create incentive-based USF for small RoR carriers to deploy broadband, (3) modernize USF rules to advance Internet Protocol (IP) technology, (4) provide efficiency within the USF system, and (5) accomplish these goals in a manner consistent with current ratemaking and Universal Service Funding algorithms.

The SCC Ex Parte is attached to these comments and provides a detailed view of how the SCC's plan would operate and how it would provide for a solution to the long-term issue of bringing broadband services to rural areas of the United States.

CONCLUSION

Alexicon agrees that standalone broadband lines provided by RoR regulated carriers should be supported by federal high cost loop support. However, the issues surrounding the provision of quality, affordably priced broadband services in rural areas go beyond those that can be addressed by supporting standalone broadband lines. Instead, the Commission should begin the process of adopting a long-term solution for supporting broadband networks and services in rural areas. To this end, Alexicon offers the Small Company Coalition Plan as an alternative to the existing patchwork of universal service and intercarrier compensation rules.

Respectfully Submitted,

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¹⁰ See Small Company Coalition/Alexicon Telecommunications Consulting notice of Ex Parte Meeting, filed September 20, 2012 in WC Docket No. 10-90, et al.